



Registrar

# National Electric Power Regulatory Authority

Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad.

Ph : 9207200, Fax : 9210215

E-mail : office@nepra.org.pk

Direct Phone : (051) 9206500

No.NEPRA/R/LAG-68/12677-78

8-2-2005

Power House Manager,  
Anoud Power Generation  
603-604, 6<sup>th</sup> Floor, Lakson Building No. 3,  
Sarwar Shaheed Road,  
Karachi.

Subject: **Grant of Generation Licence SGC/028/2005**  
**Licence Application No. RI 10-1-03.038**  
**M/s. Anoud Power Generation Ltd. (APGL)**

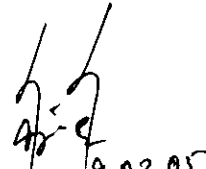
Please refer to your application No. nil, dated August 22, 2001 to NEPRA for a Generation Licence.

2. Enclosed here is Generation Licence No. SGC/028/2005 granted by the Authority to M/s. Anoud Power Generation Ltd. The Licence is granted to you pursuant to Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

3. Also enclosed here is the 'Authorization' pursuant to Section 22 of the Act and Rule 7 of NEPRA Licensing (Generation) Rules - 2000 for sale to bulk power consumers.

4. Please quote above mentioned Generation Licence No. in your future correspondence with the Authority.

DA/as above.

  
9.02.05.  
(Mahjoob Ahmad Mirza)

Copy for information to Director General, Pakistan Environmental Protection Agency,  
44-E, Office Tower, Blue Area, Islamabad.

**National Electric Power Regulatory Authority  
(NEPRA)  
Islamabad – Pakistan**

**GENERATION LICENCE**

No. SGC/028/2005

In exercise of the Powers conferred upon the National Electric Power Regulatory Authority (NEPRA) under Section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the Authority hereby grants a Generation Licence to:

**Anoud Power Generation Ltd.**  
**(Installed Capacity: 23.84 MW)**

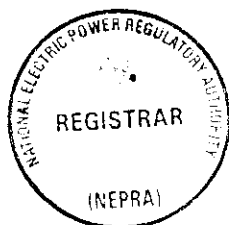
**Incorporated under the Companies Ordinance, 1984  
Under Certificate of Incorporation**

**No. K-05605 Dated 9-10-1994**

to engage in generation business subject to and in accordance with the Articles of this Licence.

Given under my hand this 8<sup>th</sup> day of February, Two Thousand & five, and expires on 7<sup>th</sup> day of February, Two Thousand & Twenty Three.

  
\_\_\_\_\_  
Registrar



**Article 1**  
**Application of Rules**

Save as expressly provided otherwise, the provisions of the National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000 as amended from time to time shall apply to this Licence.

**Article 2**  
**Definitions**

Unless there is anything repugnant in the subject or context and save as expressly defined hereinafter, words and expressions used in this Licence bear the respective meanings given thereto in the Act or in the Rules.

**Article 3**  
**Grant of Licence**

- 3.1 The location, size (capacity in MW), technology, interconnection arrangements, technical limits, technical functional specifications and other details specific to the generation facilities of the licensee are set out in Schedule I to this Licence.
- 3.2 The net capacity of the licensee's generation facilities is set out in Schedule II hereto.

**Article 4**  
**Licence fee**

After the grant of the Generation Licence, the licensee shall pay to the Authority the Licence fee, in the amount and manner and at the time set out in National Electric Power Regulatory Authority (Fees) Rules, 2002.

**Article 5**  
**Term and renewal of Licence**

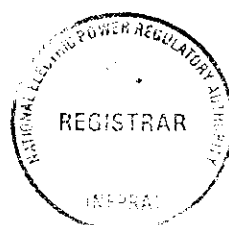
This Licence is granted for a term of 18 years.

**Article 6**  
**Tariff**

The licensee shall charge from its consumers only such tariff which is either approved or specified by the Authority.

✓

✓



**Article 7  
Distribution Facilities of Licensee**

**Not Applicable**

**Article 8  
Connection to Transmission System,  
Compliance with Grid Code,  
Pooling and Settlement Arrangement**

**Not Applicable**

**Article 9  
Generating Capacity Reserve Requirements**

The installed generating capacity of the licensee shall not fall below (95% in the case of single consumer on a distribution feeder) of the connected load and generating capacity of the largest installed unit at the time of application for generation Licence.

**Article 10  
Compliance with Performance Standards**

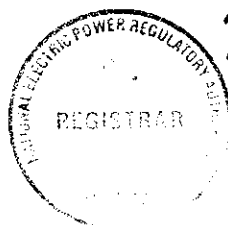
The licensee shall conform to the relevant NEPRA rules on Performance Standards as may be prescribed by the Authority from time to time.

**Article 11  
Compliance with Environmental Standards**

The licensee shall conform to the environmental standards as may be prescribed by the relevant competent authority.

**Article 12  
Maintenance of record**

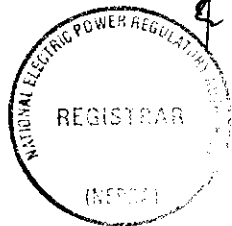
- 12.1 The licensee shall keep complete and accurate record and the data in respect of all aspects of the generation business and the second-tier supply business, in their original as well as in electronic form.



- 12.2 Without prejudice to the provisions of sub-rule 15(3) of the Rules, unless provided otherwise under the law or the applicable documents, all record and data shall be maintained for a period of 5 years after the creation of such record or data. The licensee shall not destroy or dispose off any such record or data after the aforesaid period without thirty days prior written notice to the Authority. The licensee shall also not dispose off or destroy any record or data which the Authority directs the licensee to preserve.
- 12.3 All record and data maintained in an electronic form shall, subject to just claims of confidentiality, be accessible to the staff authorized by the Authority.

**Article 13**  
**Provision of information**

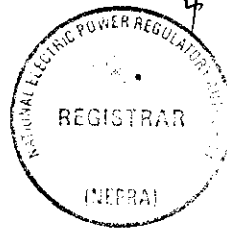
- 13.1 The obligation of the licensee to provide information to the Authority shall be in accordance with Section 44 of the Act.
- 13.2 The licensee shall be subject to such penalties as may be specified in the relevant rules made by the Authority for failure to furnish such information as may be required from time to time by the Authority and which is or ought to be or have been in the control or possession of the licensee.



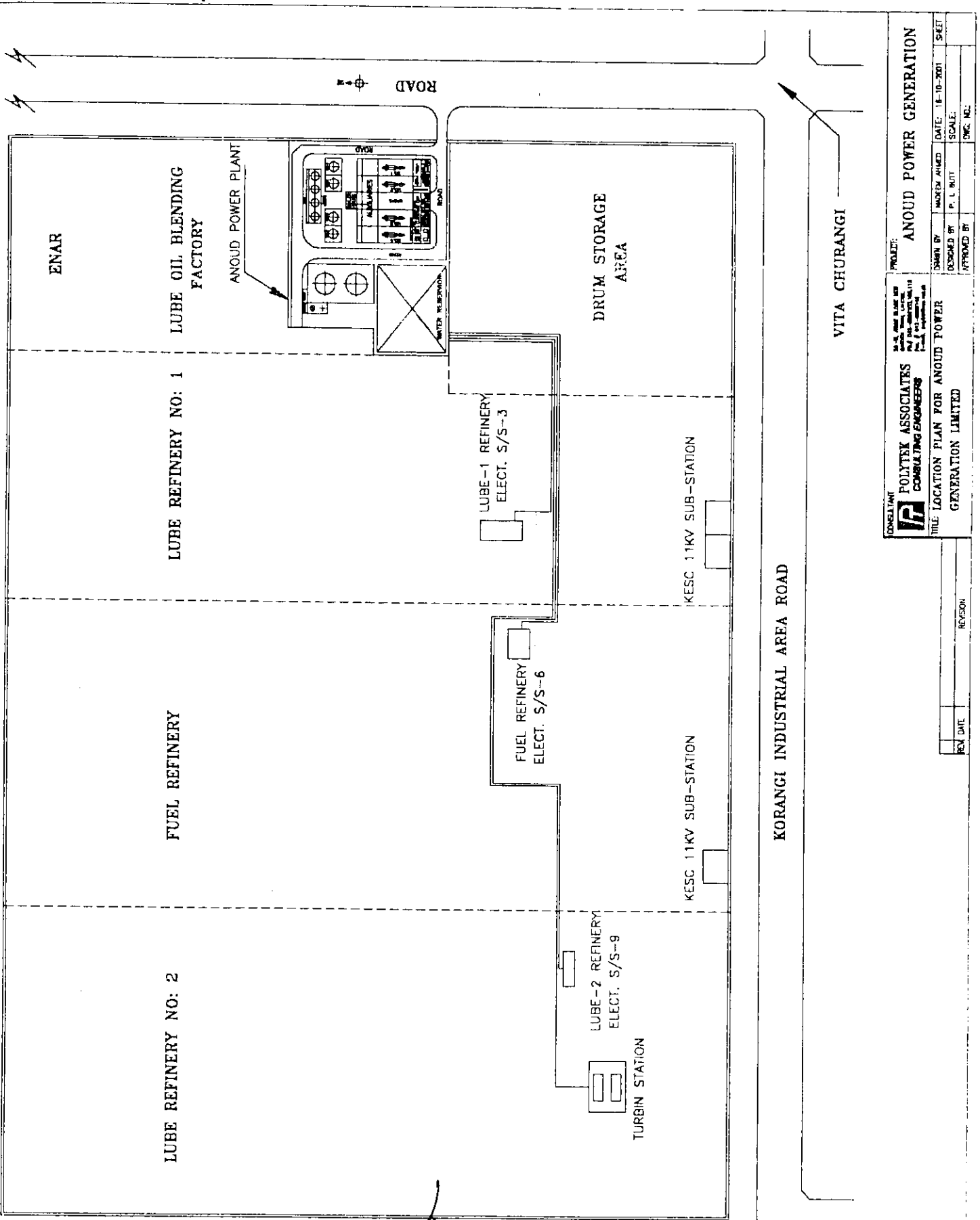
## SCHEDULE-I

- The location, size (capacity in MW) technology interconnection arrangements, technical limits technical functional specifications and other details specific to the generation facilities of the licensee

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ANNEX-9(1)



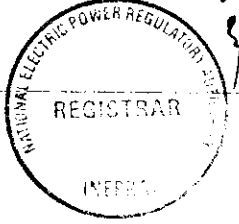
**CONSULTANT**  
**POLYTEK ASSOCIATES**  
**CONSULTING ENGINEERS**

**PROJECT:**  
**ANOUUD POWER GENERATION**

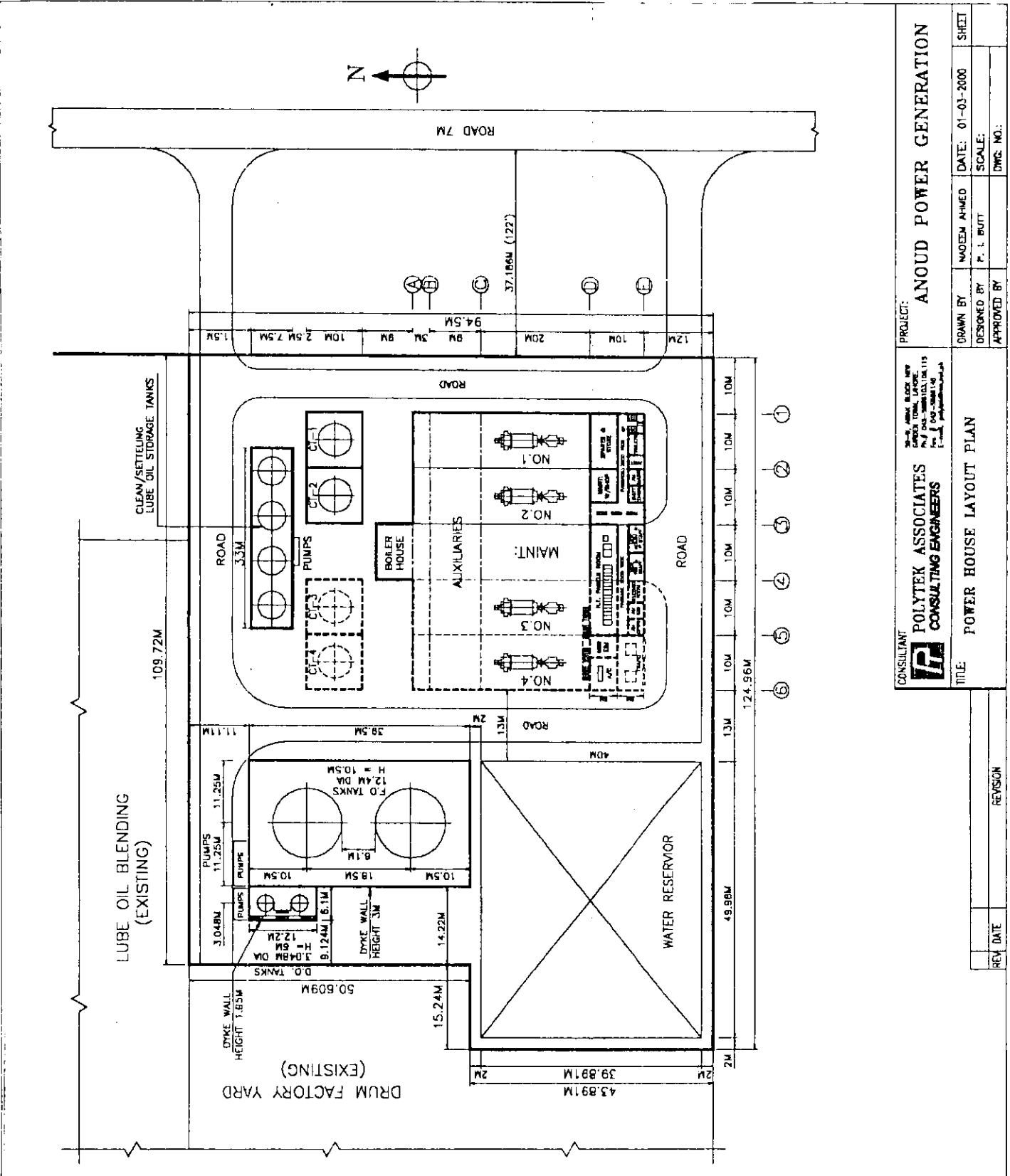
**DESIGNED BY:** P. I. BUTT  
**DATE:** 18-10-2001  
**SCALE:**  
**APPROVED BY:**  
**DATE:**  
**TIME:**

**TITLE:** LOCATION PLAN FOR ANOUUD POWER GENERATION LIMITED

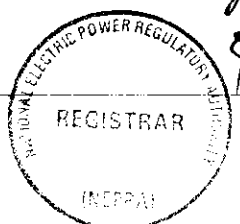
REV.	DATE	REASON



ANNEX-4 (ii)



NATIONAL REFINERY



PROJECT: ANOUD POWER GENERATION		DATE: 01-03-2000	SHEET
CONSULTANT: POLYTEK ASSOCIATES CONSULTING ENGINEERS	DRAWN BY: MAJID AHMED	DESIGNED BY: P. I. BUTT	APPROVED BY:
TITLE: POWER HOUSE LAYOUT PLAN	SCALE:		DWG. NO.:

REV.	DATE	REVISION





### PLANT DETAILS

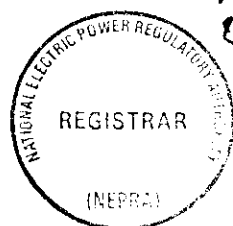
- |    |                   |  |
|----|-------------------|--|
| 1. | Name of Applicant | Anoud Power Generation Ltd.                        |
| 2. | Registered Office | Lakson Building #3 Sarwar Shaheed<br>Road Karachi. |
| 3. | Plant Location    | 7B/1, (NRL) Korangi Industrial Zone<br>Karachi.    |
| 4. | Type of Facility  | Diesel Generating Sets                             |

### Plant Configuration

- |     |   |  |
|-----|---|--|
| 5.a | Plant size                                  | 23.84 MW   |
| 5.b | Type of Technology                          | Diesel Generating sets Turbo-<br>Charged after cooled              |
| 5.c | Number of Units                             | Four   |
| 5.d | Unit Size                                   | 5.96 MW Each   |
| 5.e | Unit Make and Model<br>Date of Manufacture. | Niigata, 18V32CLX.<br>1996   |
| 5.f | Date of Commissioning                       | Units 1 & 2, July 2001<br>Unit 3, June 2002<br>Unit 4, August 2002 |

### Fuel Use

- |      |                             |                        |
|------|-----------------------------|------------------------|
| 6.a. | Fuel Type                   | Furnace Oil            |
| 6.b  | Fuel (imported/ indigenous) | Indigenous             |
| 6.c  | Fuel Supplier               | National Refinery Ltd. |
| 6.d  | Supply Agreement            | Yes                    |
| 6.e  | No. of Tanks                | Two                    |
| 6.f  | Storage Capacity/Tank       | 1500 Tons              |
| 6.g  | Gross Storage               | 3000 Tons.             |



**Emission Values**

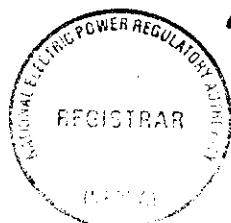
7.a	SOx	818 ppm on 13% O2 under 3.5% sulfur content of Fuel
7.b	NOx	1200 ppm on 13% O2.
7.c	CO <sub>2</sub>	About 6% for Exhaust Volume
7.d.	Particulate	100 mg/Nm <sup>3</sup>
8	Cooling Water Source	Karachi Water & Sewerage Board.
9.	Installed Capacity	23.84 MW
10.	Derated Capacity	The Plant in not derated till 45 Degree Celsius ambient temperature.
11.	Expected Remaining Life of the Facility	15-20 years
12.	Operational Record	Provided

**Project Cost**

13.a	Equity (Thousand Rupees)	Rs. 216 Million
13.b	Debt (Thousand Rupees)	Rs. 504 Million
13.c	Total Project Cost (Thousand Rupees)	Rs.720 Million

**Plant Characteristics**

14.a	Generation Voltage	11000 V
14.b	Frequency	50 Hz
14.c	Power Factor	0.8 Lagging
14.d	Automatic Generation Control	AVR
14.e	Ramping Rate	0.1 Seconds
14.f	Alternative Fuel	H.S.D
14.g	Auxiliary Consumption	5212 MWH
14.h	Time Required to Synchronize to Grid	Not Applicable



**Licenses-Performa for Information regarding Distribution issues**

**PART A**

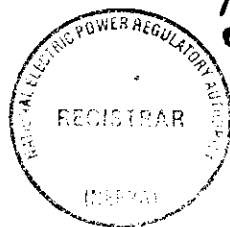
Network Facts*		
A	No. of Feeders	Two 11 KV Underground Cables
B	Length of Each Feeder	Approx.500 and 1200 Meters long
C	Length of Each Feeder to Consumer	Same as above
D	In respect of all the feeders, describe the property (streets, farms, agri land, etc.) through, under or over Which they pass right up to the customer's premises, whether they cross-over or pass near the DISCO lines	N.A  As Generation facility & consumer exist in same Plot of land.
E	Whether owned by APGL, consumer or DISCO (deal with each Feeder Separately) - If owned by DISCO, please furnish particulars of contractual arrangement - Operation and maintenance responsibility for each Feeder	The matter related to the ownership of cables is still being negotiated by APGL with the consumer (National Refinery Limited) and is expected to be settled as per the NEPRA Act and Regulations.
F	Whether connection with DISCO's network exists (whether active or not) – If yes, provide details of connection arrangements (both technical and contractual)	Anoud Power Generation Ltd. is connected to KESC network  NRL is connected to KESC network.
Any other network information deemed relevant for disclosure to or consideration by NEPRA		Nil



**Licenses-proforma for Information regarding Distribution issues**

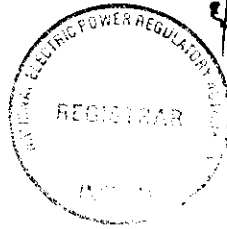
**PART B**

<b>Consumption Facts</b>		
A	No. of Consumers	One
B	Location of consumers distance and/or identity of premises)	National Refinery limited 7-B, Korangi Industrial zone, Karachi.
C	Contracted Capacity and Load Factor for each consumer	11.92 MW, load factor=0.8
D	Specify Whether i) The consumer is an associate under taking of the APGL, if yes, specify percentage ownership of equity; ii) There are common directorship; iii) Either can exercise influence or control over the other	Yes, 10% equity share  — —
E.	Specify nature of contractual relationship: i) Between consumer and APGL ii) Consumer and host DISCO	(i) Settlement Agreement. (ii) N/A
F	Capacity originally sanctioned by Provincial Government - If subsequently enhanced, evidence of permissions for enhancement	N/A
G	Tariff arrangement and particulars with WAPDA/Provincial Government	KESC tariff for Industrial 11 KV Load 3B.



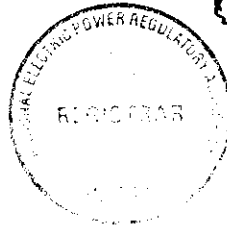
## SCHEDULE –II

- The net capacity of the licensee's generation facilities



**SCHEDULE II**

1.	GROSS INSTALLED CAPACITY (MW)	=	23.84 MW
2.	DERATED CAPACITY (MW)	=	23.84 MW
3.	AUXILIARY CONSUMPTION (MW)	=	0.72 MW
4.	NET CAPACITY OF THE PLANT (MW)	=	23.12 MW



**Authorization by National Electric Power Regulatory Authority  
(NEPRA)  
TO**

M/s Anoud Power Generation Ltd.  
Incorporated under the Companies Ordinance, 1984  
Under Certificate of incorporation No.K-05605 dated 9-10-1994  
**NEPRA Generation Licence No. SGC/028/2005**

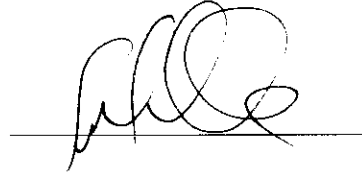
**For**  
**Sale to Bulk Power Consumers**

Pursuant to Section 22 of the Act and Rule 7 of the NEPRA Licensing (Generation) Rules-2000, the Authority hereby authorizes M/s Anoud Power Generation Ltd. (Licensee) to engage in second-tier supply business, limited to the following consumer also mentioned in Schedule I of Generation Licence No. SGC/028/2005.

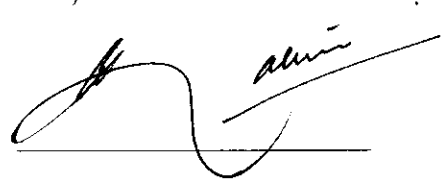
Subject to NEPRA rules and regulations, the Licensee shall charge its consumer only the second-tier supply charge in terms of the Authority approved settlement agreement attached herewith.

National Refinery Limited  
7-B, Korangi Industrial Zone,  
Korangi, Karachi

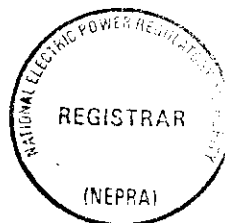
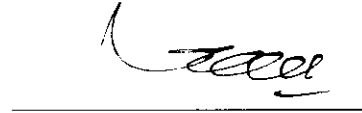
1. Mr. Fazlullah Qureshi, Member



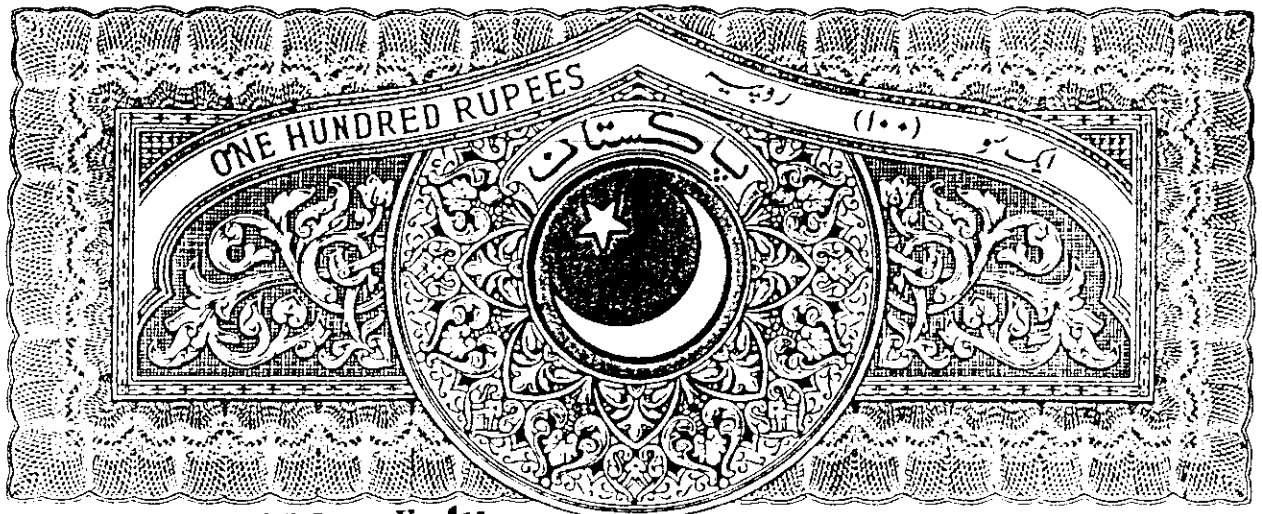
2. Mr. Abdul Rahim Khan, Member



3. Lt. Gen. (R) Saeed uz Zafar, Chairman







MUHAMMED ASHRAP Stamp Vendor  
E.L. No. 10, Shop No. 9, Zamian Centre,  
Block-7, East of PAF Area, F-7/3

19 NOV 1999

3606 w/s National Refinery Ltd

Stamp Vendor's Name: \_\_\_\_\_  
Stamp No: 1172  
Stamp Value: \_\_\_\_\_

SETTLEMENT AGREEMENT

This Agreement is made at Karachi on this 13<sup>th</sup> day of December 1999

BETWEEN

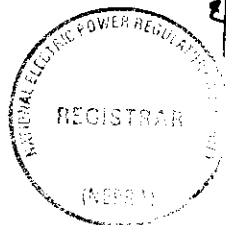
NATIONAL REFINERY LIMITED, a public limited company incorporated under the Companies Ordinance, 1984, having its registered office at 7-B, Korangi Industrial Zone, Korangi, Karachi, Pakistan (hereinafter referred to as "NRL", which expression shall where the context so permits, include its successors-in-interest and assigns).

AND

ANOUD POWER GENERATION LIMITED, a company incorporated under the Companies Ordinance, 1984 having its registered office at 8<sup>th</sup> Floor, Lakson Building No.-1, Sarwar Shaheed Road, Karachi, Pakistan (hereinafter referred to as "Anoud", which expression shall where the context so permits, include its successors-in-interest and assigns)

Both NRL and Anoud are hereinafter referred to collectively as the "Parties"

Cond't...P/2



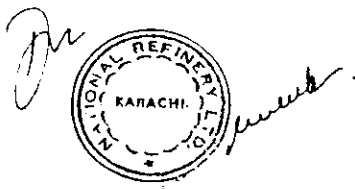
## WHEREAS:

- A. For the purposes of establishing a power generation facility with a capacity of 24 Mega Watts at Karachi to be built, owned and operated by Anoud in order to supply electrical power to NRL (the "Project"), NRL and Anoud entered into the following three agreements: (i) a Power Purchase Agreement dated 5 December 1994 ("PPA"); (ii) a Participation Agreement dated 5 December 1994 ("Participation Agreement"); and (iii) an Indenture of Sub-Lease dated 26 May, 1996 ("Sub-Lease"). All the three agreements are hereinafter collectively referred to as the "Agreements".
- B. A dispute between the Parties arose in relation to the implementation of the Project, and Anoud on December 16, 1997 invoked the "Arbitration" provisions contained in Article 14 of the PPA, pursuant to which arbitration was commenced under the Arbitration Act 1940 ("Arbitration Proceedings"), with one arbitrator each having been appointed by NRL and Anoud (the "Arbitrators") with an umpire having been appointed by the Arbitrators. Details of the dispute between the Parties are contained in Anoud's Statement of Claim filed before the Arbitrators on February 14, 1998 and in NRL's Reply Statement dated 27 April 1998 filed before the Arbitrators on that date (the "Dispute").
- C. NRL has filed legal proceedings in the High Court of Sindh at Karachi (identified as HCA No. 180 of 1999) ("High Court Proceedings") for the revocation of the authority of the Arbitrators in the Arbitration Proceedings.
- D. Whilst the Arbitration Proceedings and the High Court Proceedings are both currently pending, the Parties have agreed to settle the Dispute on the terms and conditions set-forth in this Agreement.

NOW THEREFORE, it is hereby agreed by and between the Parties as follows:

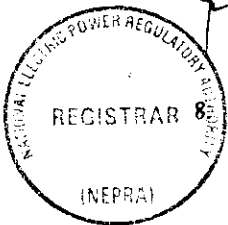
1. NRL does not require the power generation facility of 24 Megawatts capacity and accordingly, Anoud has agreed that it shall instead install a power generation facility with a capacity of 11.92 Megawatts (as may be increased by Anoud) and to supply a continuous minimum electrical output of 4 Megawatts ("Minimum Power Supply") at all times during the Term of the PPA ("Term being defined in the PPA) and NRL has agreed to pay Anoud for the Minimum Power Supply on the terms and conditions given below:

Cond.t...P/3



2. The charges for the Minimum Power Supply for each Month (as defined in the PPA) will be the sum of:
  - a) Fixed charges for 5.96 Megawatts calculated on the basis of the Karachi Electrical Supply Corporation ("KESC") prevailing rates for 11 KV, B-3 Industrial Supply Tariff and
  - b) Variable charges for 4 Megawatts calculated on the basis of KESC prevailing rates for 11 KV, B-3 Industrial Supply Tariff multiplied with the number of Operating Hours (as defined in the PPA) in such Month.
3. In case Anoud fails to make available the Minimum Power Supply at any time, then the payment for such period shall be adjusted and paid according to the actual electrical supply.
4. The tariff for the total electrical supply by Anoud will be paid to Anoud as per KESC's prevailing rates, and all clauses in the PPA pertaining to price/rates escalations shall be treated as cancelled. The present KESC prevailing rates are described in the Schedule attached hereto.
5. NRL will have the right to meet its power requirements of approximately 14.3 Megawatts, initially from its own present power generation capacity of 10.26 Megawatts and the entire balance whether on account of any short fall in NRL's own generation or NRL's increased demand will be met from Anoud's Power generation facility as above. Any electrical supply by Anoud in excess of 11.92 Megawatts shall be paid for by NRL at mutually agreed charges.
6. If Anoud does not meet any shortfall in NRL's own generation or any increase in demand for electrical supply by NRL, NRL shall in its sole discretion meet its demands from such other sources as may be available to NRL.
7. Anoud shall not supply electricity to any third party during the Term of the PPA without first obtaining the written consent of NRL in its sole discretion. If Anoud does wish to supply electricity to any third party, it shall first offer the same to NRL on the same terms and conditions being offered to such third party and NRL shall have the first right of refusal thereof.

This Agreement upon its execution shall be filed with the Arbitrators and in the High Court of Sindh with an appropriate Application, to record the settlement of the Dispute between the Parties. Accordingly, the Arbitration Proceedings and the High Court Proceedings shall be withdrawn forthwith by the Parties hereto. NRL shall also withdraw the complaint dated August 25, 1998 lodged by it against Anoud with the Federal Investigation Agency.



- 9. The period of eighteen (18) months for the Required Commercial Operations Date under the PPA shall commence from the one month after the date hereof.
- 10. If any levy or duty is imposed by law, which is recoverable by KESC from its consumers, then an amount equal to such levy or duty shall be payable by NRL to Anoud in addition to the charges payable under the PPA as modified by this Agreement.
- 11. The Parties agree to negotiate and mutually agree on an increase in the rate of rent contained in the Sub-Lease.
- 12. Following compliance of the provisions of Clause 8 herein-above, the Parties shall appropriately implement the provisions hereof in the Agreements to reflect the settlement of the Dispute and to remove any ambiguities in the PPA

IN WITNESS WHEREOF the Parties have executed and delivered this Agreement as of the date first above written



For and on behalf of  
NATIONAL REFINERY LIMITED

For and on behalf of  
ANOUD POWER GENERATION LIMITED

Signature: [Handwritten Signature]

Signature: [Handwritten Signature]

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Designation: \_\_\_\_\_

Witnesses

Witnesses

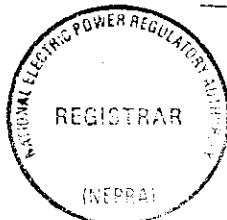
1. [Handwritten Signature] 11/12/99

1. \_\_\_\_\_

2. [Handwritten Signature] 1.12.1999

2. \_\_\_\_\_

3. [Handwritten Signature]



4. \_\_\_\_\_

**Term of the Licence  
(Article 5 of the Licence)  
Anoud Power Generation Ltd.**

The Rule 5 of the Licensing (Generation) Rules - 2000 stipulates that the term of Licence shall be commensurate with the maximum expected useful life of the units comprised in a generation facility demonstrated to the satisfaction of the Authority unless the applicant consents to a shorter period.

M/s Anoud Power Generation Ltd. has shown in its application No. OPG/NEPRA/REG/2001 dated 30-8-2001 to NEPRA for a Generation Licence, remaining life of its facility as 20 years.

The Licensing Group considers that the Diesel Generators normally have useful life of around 20 years. Since the last unit was commissioned in 2002 therefore the Group recommends that the Licence be issued to Anoud Power Generation Limited, by the Authority for 18 years from the date of grant of Licence by the Authority.

**AUTHORITY DECISION**

The Authority agrees with the Licensing Group recommendations about the term of Licence. The Licence is granted for a term of 18 years.

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**Authority**

Mr. Fazlullah Qureshi, Member



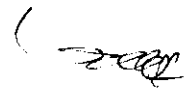
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Mr. Abdul Rahim Khan, Member



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Lt Gen (R) Saeed uz Zafar, Chairman



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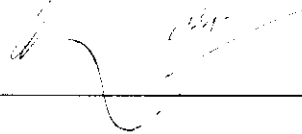
**Authority**

Mr. Fazlullah Qureshi, Member



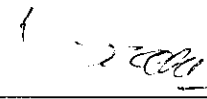
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Mr. Abdul Rahim Khan, Member



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**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**

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**MINUTES OF THE AUTHORITY REGULATORY MEETING 05-010  
HELD ON 19 JANUARY 2005**

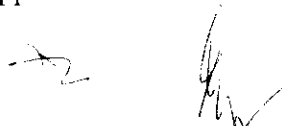
**SUBJECT: GRANT OF GENERATION LICENCE TO ANOUD POWER GENERATION LIMITED**

A meeting of the Authority was held on 19 January 2005 to discuss the grant of Generation Licence to Anoud Power Generation Limited. The following attended the meeting:

(1)	Lt Gen (R) Saeed uz Zafar	Chairman
(2)	Mr. Abdul Rahim Khan	Member (Privatization)
(3)	Mr. Fazlullah Qureshi	Member (Tariff)
(4)	Mr. Abdul Rashid Kakar	Senior Adviser (Licensing)
(5)	Mr. Amer Zia	Director (Coordination)
(6)	Mr. Ahsan Maqbool Malik	Deputy Director (Licensing)

2. It was presented to the Authority that as per decision of the Authority meeting dated 04 January 2005, KESC was requested to confirm that they have no objection to the supply of power from Anoud Power Generation Limited (APGL) to National Refinery Limited. They have now confirmed vide their letter No.CE(GPPC)/ F-8/732 dated 08 January 2005 that they have no objection to this arrangement. The Licensing Division's Report has also been modified as desired in the Authority meeting of 04 January 2005.

3. The Authority approved the grant of Generation Licence to APGL. The Bilateral Agreement between the generator and the consumers was also presented to the Authority and was approved.



19 JANUARY 2005

DECISION OF THE AUTHORITY IN THE MATTER OF  
GRANT OF GENERATION LICENCE TO  
ANOUD POWER GENERATION LIMITED (APGL)

(REGULATORY MEETING 05-010 HELD ON 19 JANUARY 2005)

The Authority considered the record of proceedings in the case, the evidence proffered and the arguments made orally and in writing. The draft Generation Licence, Second Tier Supply Authorization and term of the licence as proposed by the Licensing Division and the matter of the bilateral agreement between the Applicant and the bulk power consumer to which the applicant desires to sell under Second Tier Supply Authorization were also considered. The Authority decided:

1. To grant Generation Licence to the Applicant, Anoud Power Generation Limited (APGL).
2. To approve the term of Licence to be 18 years from the date of grant of the Generation Licence.
3. To approve as the specified tariff, the supply charges agreed between APGL and its only consumer National Refinery Limited, 7-B, Korangi Industrial Zone, Korangi, Karachi, as per the agreement made between the parties and directs that it should be annexed to the Second Tier Supply Authorization.

1. Mr. Fazlullah Qureshi, Member

2. Mr. Abdul Rahim Khan, Member

3. Lt Gen (R) Saeed uz Zafar, Chairman

The image shows three handwritten signatures, each written over a horizontal line. The top signature is for Mr. Fazlullah Qureshi, the middle for Mr. Abdul Rahim Khan, and the bottom for Lt Gen (R) Saeed uz Zafar. The signatures are in black ink and appear to be cursive or semi-cursive.



**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**

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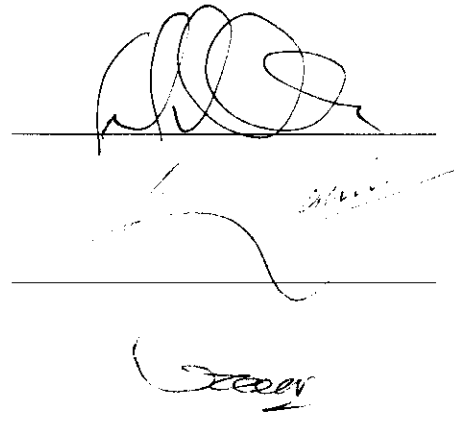
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## BRIEF FOR THE AUTHORITY

### Anoud Power Generation Limited

- |    |  |   |
|----|--|---|
| 1. | Type & Plant Location                    | Diesel Generating Set,<br>Korangi Industrial Area, Karachi. |
| 2. | Plant Capacity                           | 23.84 MW  |
|    | Number of units                          | 4   |
|    | Size of each unit                        | 5.96 MW   |
|    | Total Installed Capacity                 | 23.84 MW  |
| 3. | Emission Values                          | Acceptable  |
| 4. | Consumer Statistics                      | One   |
|    | a. Number of Feeders                     | Two   |
|    | b. Contracted Load to Consumer           | 11.92MW   |
|    | c. Consumer name                         | M/s National Refinery limited (NRL)                         |
| 5. | Capacity Requirements                    | 11.92 MW  |
| 6. | Whether Distribution Licence<br>required | No  |
| 7. | Licence Period                           | 18 years  |

→

(1).	Gross Installed Capacity	23.84 MW
(2).	Derated Capacity	23.84 MW
(3).	Gross Generation	172563 MWH
(4).	Auxiliary Consumption	0.72 MW
(5).	Net Capacity available for supply:	23.12 MW
(6)	(i) Total Consumer Contracted Load	11.92 MW
	(ii) Diversified Load (Ref Article 9 of the Licence) [95% for one consumers] [85% for more than one consumer] Total diversified load	11.32 MW
(7).	Least Possible Available Generation {5 Largest unit }	17.16 MW
(8)	Capacity Reserve Short Fall [(7) - (6)ii]	5.84 MW (Surplus)
(9)	Consumer Back-up Generation	11MW from KESC and 11.2 MW self generation
(10)	Meets the Criteria Under Article 9	Yes

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**Determination in the matter of**  
**Anoud Power Generation Limited (APGL)**

Anoud Power Generation Limited (APGL) was incorporated in 1994 as a public limited company for setting up a 23.84 MW power plant based on furnace oil to supply power to National Refinery Limited (NRL). APGL made an application to National Electric Power Regulatory Authority (NEPRA) on 30 August 2001 for a generation licence which NEPRA admitted for consideration on 9 January 2002.

2. Following Regulation 8 of the NEPRA Licensing (Application and Modification Procedure) Regulations 1999, the Authority on 12 January 2002 advertised about the APGL application for a generation licence and invited comments from the public. After considering those comments, the Authority held a conference on 16 March 2002 which was attended by the applicant and representatives of other organizations including KESC, PEPCO, Privatisation Commission and Office of the Electric Inspector Karachi.

3 The APGL power plant was designed for four number of diesel generators each of 5.96 MW. After commercial start of two units in July 2001, the other two units were commissioned in June 2002 and August 2002. APGL generates power at 11 kV and supplies to NRL through 11 kV lines. The distribution lines run from the power plant to the refinery within the compound wall of the Refinery and there is no interconnection with the KESC system.

4 The Authority considers that the matter of grant of licence to APGL involves some fundamental questions to establish Authority's vision about the future regulatory regime. The issues before the Authority are;

- (i) Whether APGL be treated like SPPs, most of which have already been granted licences by the Authority?
- (ii) How will the consumer of APGL namely National Refinery Limited (NRL) be treated with specific reference to the Section 22 of the Act?
- (iii) Requirement for APGL to supply to KESC

**Whether APGL be treated like SPPs, most of which have already been granted licences by the Authority?**

5. SPPs or Small Power Producers is a term specifically used for those generation facilities below 100 MW which have been in operation at the time of notification of Nepra Generation Rules i.e. 20 April 2000 and which do not have PPA or IA under 1994 power policy. NEPRA while granting distribution licences to DISCOs declared all consumers of SPPs as BPCs irrespective of their load level. Therefore consumers of SPPs were given special status in comparison to BPCs defined in the Act. Since APGL was commissioned in 2001, therefore APGL does not fall under the categorization of an SPP. According to the Settlement Agreement between National Refinery Limited and Anoud Power Generation Limited dated 1<sup>st</sup> day of December 1999, APGL will supply 11.92 MW power to NRL. This load level is above the minimum level (1 MW) for NRL to qualify as a BPC under the Act; therefore APGL may sell to NRL pursuant to Section 22 of the ACT under which the Authority may permit a generation company to sell to BPC.

6. In the matter of earlier determinations including Engro Asahi Polymer the Authority used the term 'Isolated Generation Facility'. One of the factors to categorise such generating companies as isolated generation facility was absence of any transmission and distribution interconnection with the utility. The term may also be used for APGL as presently there is no interconnection at the transmission or distribution level, however keeping in view that APGL may be synchronized with KESC (provision is already there in APGL to interconnect with the KESC network) and as stated by APGL and KESC that they are negotiating possible sale-purchase arrangements, the Authority intends to use a separate term i.e. 'Distributed Generation Facility' for APGL and for similar other applicants.

7. The Authority deems it appropriate to clarify here the significance of the arrangement contemplated in the instant matter. Hitherto, the Authority has granted licences to small producers 'SPPs' (upto 100 MW), generating electricity and in some cases delivering power to their distribution networks to dedicated consumers. Such licensees are presently supplying electricity to their consumers under second-tier supply





authorizations and have also been asked to either surrender their distribution lines to the host distribution company or to obtain a distribution licence according to the requirements of Section 20 of the NEPRA Act. APGL is located inside the boundary wall of NRL compound on a land leased from NRL. The power to NRL is being supplied through two cables of approximately 500 meters and 1200 meters respectively. Both of these cables remain within the compound. Hence, in the case of APGL where supply of power is taking place through consumer owned distribution lines and there is no public property involved in between, it is relevant to refer to Section 2(v) of the NEPRA Act, wherein the ownership, operation, management and control of distribution facilities located on private property and used solely to move or deliver electric power to the person owning, operating, managing and controlling those facilities or to tenants thereof has not been included in the definition of 'distribution'. Consistent with the decision of the Authority Regulatory Meeting No. 03-040 dated 25 March 2003, the Authority is of the opinion that based on the considerations that i) the consumer (NRL) is located in an adjacent compound and no public area is situated in between; ii) the distribution system is owned by the consumer and iii) KESC power lines are not running in the vicinity, APGL's supply of power does not constitute a distribution activity under the Act, and a distribution licence would not be required.

**How will the consumer of APGL namely National Refinery Limited (NRL) be treated with specific reference to the Section 22 of the Act?**

8 According to Section 22(2) of the Act;

“Where a bulk power consumer intends to stop purchase of electric power from a distribution company, it shall convey its intention by notice in writing three years before such stoppage:

Provided that such consumer shall continue to make payments to the distribution company equal to the amount of cross- subsidy for uneconomic service for which it would otherwise have provided through purchase of electric power by bulk power consumer.”

The question that subsection 2 of Section 22 is applicable to all BPCs whether they switchover to another DISCO or to self generation was debated within NEPRA as well as during a conference on 24 August 2004, specifically organized by NEPRA to discuss Section 22. The arguments on the issue were clearly divided among the private generators, consumer associations and the DISCOs. While invariably all private sector generators and consumer bodies agreed that the subsection does not relate to those BPC which switch over to self-generation, all DISCOs strongly opposed their arguments and stated that the subsection applies to all BPCs moving out of the DISCO's domain.

9 In the instant case the matter was also discussed by NEPRA with APGL, NRL and KESC during a meeting on 18 November 2004 at Karachi. NRL stated that it has three distinct load centres (all at the premises of NRL) coming up at different times over a period from 1965 to 1985 (1965---5.6 MW, 1978---8.0 MW, 1985---10 MW) making a combined load of about 23 MW. To meet its load requirements over the time NRL had been receiving power through six 11 kV KESC feeders. According to NRL, the unreliable power supply from KESC forced NRL to install its own generation and by the end of 1991, NRL began its in-house generation of 11.2 MW (7.2 MW steam turbine and 4 MW furnace oil based diesel generator) for its load centre 2. It was also informed by NRL that KESC supply was gradually reduced and at present 4 separate meters for KESC supply are retained. NRL statement was also confirmed by KESC further stating that meter/consumer identification no. BH-46 is inactive since April 2003, BH-94 since March 2002, BH-116 since October 2001 whereas BH-326 recorded no consumption since January 2004. KESC confirmed that its feeders have been kept in open position and NRL is paying capacity charges to them. With reference to KESC's assertion through letter dated 10 August 2004, that its consumer has been switching to self-generation without a 3 year notice. NEPRA questioned KESC's position when NRL installed its own generation in 1991. It was observed that NRL installed its own generation before the enactment of NEPRA Act and KESC was in knowledge of NRL generation. Presently NRL is paying capacity charges to KESC and NRL continues to be a consumer of KESC. Any other generation supplies from APGL would not require a notice.

10 The Authority also noted that more than one meters have been installed on single premises for purchase of power through the KESC system. For instance in the instant case at one time six meters were installed at NRL premises. Such practice is not in accordance with KESC tariff terms and conditions as it may not reflect true recording of load levels. KESC is directed to submit a report in the matter.

**Requirement for APGL to supply to KESC**

11 APGL has applied to NEPRA for a generation licence to sell 11.92 MW to NRL. It stated that during June and August 2002 it added another two units at its plant (the information was also provided to NEPRA during the hearing on 16 March 2002) thus making a combined total capacity of 23.84 MW. Since NRL is not interested in buying additional power from APGL therefore APGL is negotiating with KESC for sale of 11.92 MW at 11 kV. The Authority considers that such arrangements for sale of power to DISCOs are consistent with its vision to encourage bilateral contracts. The Authority also directs APGL and KESC to keep the Authority informed of their negotiations.

**Tariff**

12 The Authority considers that the matter of rates, charges and terms and conditions of tariff between APGL and its consumer NRL does not affect any other consumer or third party. Therefore for the purpose of tariff, the Authority has accepted and specified the rate as per the bilateral agreement (Settlement Agreement dated 1<sup>st</sup> December 1999), which APGL and its consumer NRL have contracted and APGL may charge such tariff subsequent to the grant of the generation licence.

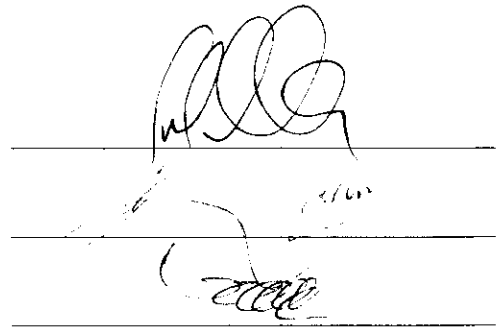
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14 The term of a Generation Licence under NEPRA Generation Rules is to be determined by the remaining useful life of the plant; hence APGL is being granted a licence for a period of 18 years.

WITH THIS, the Authority hereby grants the Generation Licence to Anoud Power Generation Limited in the terms and form as annexed to this determination. The grant of such a Licence would be subject to the provisions contained in the NEPRA Act and the relevant Rules framed there under.

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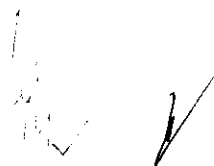
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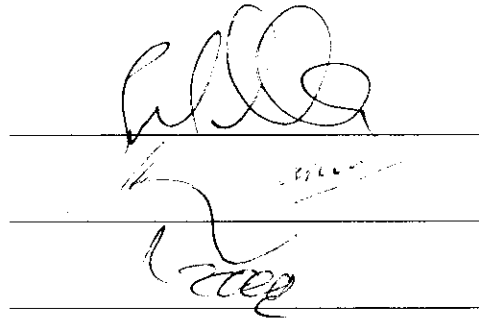
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